

## INCOME TAX INFORMATION FOR CANADIAN UNITHOLDERS

Zargon Energy Trust advises that for Canadian tax reporting purposes, cash distributions paid to Unitholders in the 2004 taxation year were 100% taxable.

The information contained herein is based on Zargon's understanding of the Canadian Income Tax Act and is provided for general information purposes only. Unitholders are advised to consult their personal tax advisors with respect to their particular circumstances.

### Units held within an RRSP, RRIF or DPSP

With respect to units of Zargon Energy Trust held in a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), or Deferred Profit Sharing Plan (DPSP) during 2004, no amount should be reported on the 2004 individual Income Tax Return ("T1").

### Units held outside an RRSP, RRIF or DPSP

Zargon unitholders who held trust units outside an RRSP, RRIF or DPSP will receive a T3 Supplementary Slip for 2004 ("T3") that will report the taxable portion of such distributions as "other income" in Box 26 of their T3. Registered unitholders will receive their T3 slip from Zargon's transfer agent, Valiant Trust Company, while beneficial unitholders who held units through intermediaries such as investment advisers will be receiving T3 receipts from their advisor or other intermediary.

### For Canadian Taxpayers

The following table summarizes, on a monthly basis, cash distributions received in 2004 by unitholders, indicating that the full amount is taxable and no portion is considered to be a return of capital.

Record Date	Payment Date	Taxable Amount (Other Income)	Return of Capital	Total Cash Distribution
August 31, 2004	September 15, 2004	\$0.14	\$0.00	\$0.14
September 30, 2004	October 15, 2004	\$0.14	\$0.00	\$0.14
October 31, 2004	November 15, 2004	\$0.14	\$0.00	\$0.14
November 30, 2004	December 15, 2004	\$0.14	\$0.00	\$0.14
December 31, 2004	January 17, 2005	\$0.14	\$0.00	\$0.14
	<b>Total</b>	<b>\$0.70</b>	<b>\$0.00</b>	<b>\$0.70</b>

## **Income Tax Information for U.S. Unitholders**

Zargon Energy Trust's tax advisors have provided advice, for U.S. federal income tax purposes, that the units of Zargon more likely than not will be properly classified as equity in a corporation, rather than as debt, and that dividends paid to its individual U.S. unitholders should be qualified dividends. As such, the distributions made during 2004 that are considered dividends should qualify for the reduced rate of tax applicable to certain capital gains.

The portion of the trust distributions that is considered a dividend for U.S. income tax purposes is determined based upon Zargon's current and/or accumulated earnings & profits ("E&P") as determined in accordance with U.S. income tax principals.

With respect to cash distributions paid in 2004 to U.S. individual unitholders, 100 percent should be reported as qualified dividends.

Zargon is not required to issue Form 1099 DIV's; however, U.S. unitholders may have previously received a Form 1099 DIV from a broker or intermediary that may not be correct. As a result of this, U.S. unitholders should consult their brokers and tax advisors to ensure that this information is accurately reflected on their tax returns. Brokers and/or intermediaries may or may not be required to issue amended Form 1099 DIVs. There